

**CITY OF MANCHESTER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2008**

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## City of Manchester

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Milt L. Kramer	Mayor	Jan 2010
Dean K. Sherman	Council Member	Jan 2012
Tony C. Broghammer	Council Member	Jan 2010
Daniel J. Stelken	Council Member	Jan 2012
Connie L. Behnken	Council Member	Jan 2012
Ron R. Struble	Council Member	Jan 2010
Timothy J. Vick	City Manager	Jun 2012
Erin Rempe	City Clerk	Jan 2012
Julie Schmitz	Treasurer-Deputy City Clerk	Jan 2012
James T. Peters	Attorney	Jan 2012

**City of Manchester**

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Manchester  
Manchester, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Manchester, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Iowa as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2008, on our consideration of the City of Manchester, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 37 through 39, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements of the City of Manchester for the year ended June 30, 2005, were audited by other auditors whose report dated August 19, 2005, expressed an unqualified opinion on those statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. office of management and budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gosling & Company PC*

Certified Public Accountants

December 29, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Manchester provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- The City's property tax revenues decreased by \$166,541, or approximately 7%. Overall revenues increased by approximately \$2,154,457, or 35% from fiscal 2007 to fiscal 2008.
- Disbursements increased by 39%, or approximately \$2,341,139 from fiscal 2007 to fiscal 2008.
- The City's total cash basis net assets decreased by less than 1%, or approximately \$1,481 from June 30, 2007 to June 30, 2008.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, health and social service, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water department and sewer department. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

**Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment (TIF), 3) the Debt Service Fund, and 4) Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Governmental funds are further broken down into the following activities:

**Public Safety** - This category includes police and communications center operations, disaster control, fire protection, rescue services, and animal control services.

**Public Works** - This category includes roadway maintenance, traffic safety, street cleaning, storm/street drainage, airport, solid waste collection, snow removal, compost facility, local access cablevision, local option tax, and equipment reserve.

**Culture and Recreation** - This category includes library, parks, recreation program, family aquatic center, sports complex, and special events.



Health and Social Services – This category includes contributions to organizations that provide assistance to families in need within the community.

Community and Economic Development - This category includes community beautification, economic development, building and housing, planning and zoning, and revolving loan fund.

General Government - This category includes legislative, administration, tax revenue, insurance, employee benefits, and other general government.

Debt Service - This category includes general and TIF debt service.

Capital Projects - This category includes the Downtown Incentive Program, Housing Grant Projects, Bikeway/Walkway Construction, Subdivision Improvements, Street Project Fund, and Wastewater Treatment Plant Improvements.

**Proprietary Funds** account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate cost internally among the City's various functions.

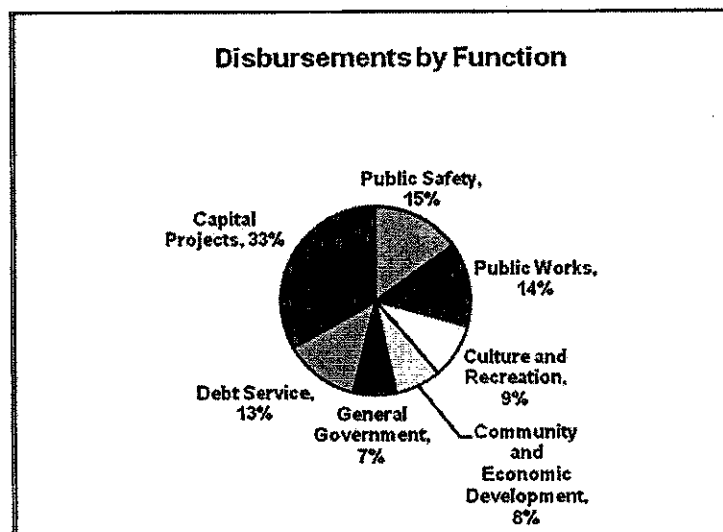
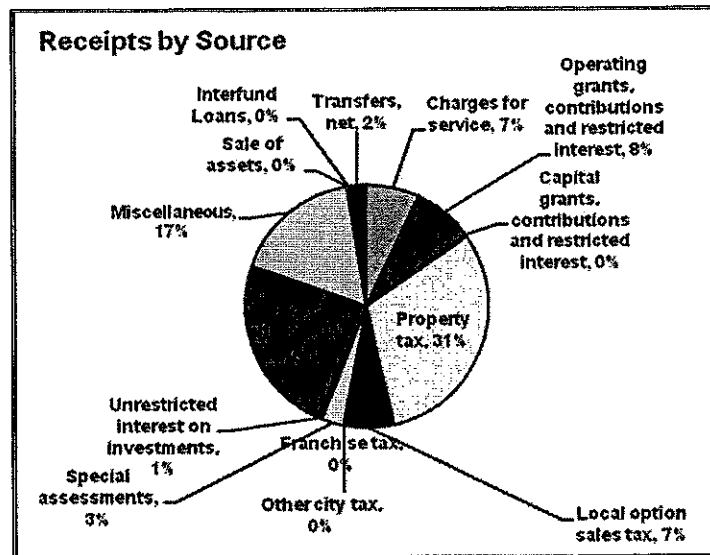
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$2,995,062 to \$2,957,704.

City of Manchester			
Changes in Cash Basis Net Assets of Governmental Activities			
		Year ended June 30,	
		2008	2007
Receipts and transfers:			
Program receipts:			
	Charges for service	475,543	451,999
	Operating grants, contributions and restricted interest	550,139	565,600
	Capital grants, contributions and restricted interest	17,510	145,797
General receipts:			
	Property tax	2,112,562	2,279,103
	Local option sales tax	438,026	367,538
	Franchise tax	0	268,232
	Other city tax	10,674	1,398
	Special assessments	197,318	242,430
	Unrestricted interest on investments	43,984	61,607
	Bond proceeds	1,610,000	12,040
	Miscellaneous	1,153,157	755,156
	Sale of assets	0	0
	Interfund loans	-23,000	-13,000
	Transfers, net	149,086	165,428
	Total receipts and transfers	6,734,999	5,303,328
Disbursements:			
	Public Safety	1,016,739	946,697
	Public Works	969,377	899,325
	Culture and Recreation	637,416	563,005
	Health and Social Services	0	1,000
	Community and Economic Development	524,084	168,936
	General Government	493,263	162,732
	Debt Service	904,345	833,731
	Capital Projects	2,227,133	1,570,244
	Total disbursements	6,772,357	5,145,670
	Increase in cash basis net assets	-37,358	157,658
	Cash basis net assets beginning of year	3,299,317	3,141,659
	Prior Period Adjustment (Note 20)	-304,255	0
	Cash basis net assets end of year	2,957,704	3,299,317



The City's receipts including other financing sources for governmental activities totaled \$6,734,999 for Fiscal 2008. The total cost of all programs and services was \$6,772,357. The net result was a deficit of \$37,358 for Fiscal 2008.

The City decreased property tax rates for 2008 by an average of four percent. With Residential Rollback, this decrease resulted in a \$166,541 reduction in property tax revenues.

The cost of all governmental activities this year was \$6,772,357 compared to \$5,145,670 last year. As shown in the Statement of Activities and Net Assets, the amount of property taxes ultimately utilized for these activities was only \$2,112,562 because some of the cost was paid by other city taxes, which include local option taxes primarily (\$448,700), and by individuals or entities including governments and organizations who directly benefited from the service (\$269,724). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$3,941,371 as follows: tax revenues specifically designated for use with only certain programs, bond proceeds, interest, transfers from other funds and general entitlements.

City of Manchester			
Changes in Cash Basis Net Assets of Business Type Activities			
	Year ended June 30,		
	2008	2007	
Receipts and transfers:			
Program receipts:			
Charges for service			
Water	\$ 477,597	\$ 486,059	
Sewer	854,220	506,374	
General receipts:			
Special assessments	7,096	-	
Unrestricted interest on investments	42,081	33,233	
Miscellaneous	45	-	
Interfund loans	23,000	13,000	
Debt Proceeds	341,071	-	
Total receipts and transfers	\$ 1,745,110	\$ 1,038,666	
Disbursements:			
Water	452,593	\$ 442,756	
Sewer	1,107,554	402,939	
Transfers	149,086	165,428	
Total disbursements	\$ 1,709,233	\$ 1,011,123	
Increase in cash basis net assets	35,877	27,543	
Cash basis net assets beginning of year	1,015,871	988,328	
Prior Period Adjustment (Note 20)	304,255	-	
Cash basis net assets end of year	\$ 1,356,003	\$ 1,015,871	

Total business type activities receipts for the fiscal year were \$1,745,110 compared to \$1,038,666 last year. The cash balance increased by \$35,877 from the prior year due primarily to an increase in sewer rates associated with the wastewater treatment plant improvement project. Total disbursements and transfers for the fiscal year increased by \$698,110 or approximately 69%. This increase is, again, primarily due to an increase in expenditures associated with capital improvement projects.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Manchester completed the year, its governmental funds reported a combined fund balance of \$2,957,704, a decrease of \$341,613 from last year's total of \$3,299,317. The following are the major reasons for the change in fund balances of the major funds from the prior year.

- The Tax Increment Fund cash balance decreased by \$140,358 from the prior year to (\$32,298). This decrease was due primarily to the expenditures associated with the west end development. Bond proceeds were received in July 2008 to cover these expenses.
- The Street Projects Fund cash balance decreased by \$116,363 from the prior year to (\$76,815). The decrease is attributable to expenditures related to the 2008 Street Project. Bond proceeds were received in July 2008 to cover these expenses.

- The Debt Service Fund cash balance decreased by \$526,912 from the prior year to \$539. The decrease was due to the issuance of debt during prior fiscal years, of which a portion was used to pay for projects which occurred during Fiscal Year 2008.
- The Fire Department Expansion Fund was established for the construction at the fire station. The fund had an ending cash balance of \$705,526.
- The Sewer Improvement Fund balance of \$304,255 was reclassified to the business type funds to better reflect the activity of the Sewer Utility Fund and capital projects associated with that fund.
- The changes in the governmental funds as a whole are due primarily to the timing of capital projects and the funding for these projects. The construction season typically runs from April through October, and subsequently crosses over two fiscal years, as the City's fiscal year is July 1 through June 30. Therefore revenues may be received in one fiscal year but not spent until the next fiscal year, and vice versa.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$18,080 to \$663,474, due to a slight increase in revenues.
- The Sewer Fund cash balance increased by \$322,052 to \$692,529, due primarily to an increase in sewer rates which occurred during the fiscal year and the reclassification of the Sewer Improvement Fund beginning fund balance to the business type funds. The Sewer Improvement Fund cash balance overall decreased by \$303,530 from the prior year to \$725. This decrease was due to expenditures for the wastewater treatment plant improvement project. The City has secured Community Development Block Grant (CDBG) funds and State Revolving Loan (SRF) funds to cover the cost of this project.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Manchester amended its budget one time. The amendment was approved on May 27<sup>th</sup>, 2008. The amendment was needed, in large part, due to the following items: grant revenues received and expended for the CDBG Grant for the Community Childcare Project; additional special assessment revenues; a decrease in the amount of money borrowed and transferred; industrial economic development loan repayment; funds received from the Manchester Fire Fighters Association for the fire station expansion project; sewer rate increase being spread over two years rather than implemented at once; increased snow removals costs; the acquisition of the Don & Walt building; west end development costs; and the fire station expansion project. The additional revenues received by the City absorbed the additional expenditures.

### **DEBT ADMINISTRATION**

At June 30, 2008, the City had approximately \$5,355,057 in bonds and other long-term debt, compared to approximately \$4,120,489 last year, as shown below.

#### **City of Manchester Outstanding Debt at Year-End**

	June 30,	
	2008	2007
General obligation bonds	\$4,255,000	\$3,105,000
Urban renewal tax increment revenue bonds	738,986	1,015,489
State Revolving Fund Planning And Design Loan	341,071	0
Total	<u>\$5,355,057</u>	<u>\$4,120,489</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment debt of \$4,993,986 is significantly below its constitutional debt limit of \$11,345,037.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Manchester's elected and appointed officials and department heads considered many factors when setting the fiscal year 2009 budget, tax rates, and fees charged for various City activities.

A major factor in setting the fiscal year 2009 budget was how to offset the continued decrease in taxable valuation due to residential rollback. The City is working to recoup these losses by reviewing annual charges for services, pursuing alternative revenue sources, and continually monitoring the costs associated with the various services the City provides.

The City's property tax rate will increase from \$14.87667 in Fiscal 2008 to \$15.60688 in Fiscal 2009. This is approximately a 5% increase for property owners in the City of Manchester. The majority of this increase was due to the implementation of the Emergency Levy and an additional Debt Service Levy for the Fire Station Expansion Project which was passed by a referendum of the voters of the City of Manchester.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Timothy J. Vick, City Manager, or Erin Rempe, City Clerk, 208 East Main Street, Manchester, Iowa.

**City of Manchester**

## **Basic Financial Statements**



**City of Manchester**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the year ended June 30, 2008**

			Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements	Charges for Service		
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 1,016,739	\$ 8,624	\$ 25,482	\$ -
Public Works	969,377	289,028	467,193	9,595
Culture and Recreation	637,416	114,246	45,427	-
Community and Economic Development	524,084	62,268	2,850	7,915
General Government	493,263	1,377	9,187	-
Debt Service	954,345	-	-	-
Capital Projects	2,177,133	-	-	-
Total Government Activities	<u>6,772,357</u>	<u>475,543</u>	<u>550,139</u>	<u>17,510</u>
Business Type Activities:				
Water Utility	452,593	477,597	-	-
Wastewater Treatment	1,107,554	854,220	-	-
Total Business Type Activities	<u>1,560,147</u>	<u>1,331,817</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 8,332,504</u>	<u>\$ 1,807,360</u>	<u>\$ 550,139</u>	<u>\$ 17,510</u>
<b>General Receipts:</b>				
Property Tax Levied For:				
General Purposes				
Insurance				
Employee Benefits				
Tax Increment Financing				
Debt Service				
Local Sales Option Tax				
Other City Tax				
Franchise Tax				
Licenses and Permits				
Special Assessments				
Unrestricted Interest in Investments				
Bond Proceeds				
Miscellaneous				
Sale of Assets				
Interfund Loans				
Transfers In (Out)				
<b>Total General Receipts and Transfers</b>				
<b>Change in Cash Basis Net Assets</b>				
<b>Cash Basis Net Assets, Beginning of Year</b>				
<b>Prior Period Adjustment (Note 20)</b>				
<b>Cash Basis Net Assets, End of Year</b>				
<b>Cash Basis Net Assets</b>				
Restricted				
Debt Service				
Unrestricted				
Total Cash Basis Net Assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (982,633)	\$ -	\$ (982,633)
(203,561)	-	(203,561)
(477,743)	-	(477,743)
(451,051)	-	(451,051)
(482,699)	-	(482,699)
(954,345)	-	(954,345)
(2,177,133)	-	(2,177,133)
(5,729,165)	-	(5,729,165)
-	25,004	25,004
-	(253,334)	(253,334)
-	(228,330)	(228,330)
(5,729,165)	(228,330)	(5,957,495)
1,044,528	-	1,044,528
80,273	-	80,273
403,568	-	403,568
213,627	-	213,627
370,566	-	370,566
438,026	-	438,026
10,674	-	10,674
-	-	-
65,310	-	65,310
197,318	7,096	204,414
43,984	42,081	86,065
1,610,000	341,071	1,951,071
1,087,847	45	1,087,892
-	-	-
(23,000)	23,000	-
149,086	(149,086)	-
5,691,807	264,207	5,956,014
(37,358)	35,877	(1,481)
3,299,317	1,015,871	4,315,188
(304,255)	304,255	-
\$ 2,957,704	\$ 1,356,003	\$ 4,313,707
\$ 539	\$ -	\$ 539
2,957,165	1,356,003	4,313,168
\$ 2,957,704	\$ 1,356,003	\$ 4,313,707

**City of Manchester**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2008**

		Special Revenue		
	General	Tax Increment Financing	Road Use Tax	Street Equipment Reserve
<b>Receipts:</b>				
Property Tax	\$ 1,124,801	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	213,627	-	-
Other City Tax	9,386	-	-	-
Licenses and Permits	65,310	-	-	-
Use of Money and Property	9,273	2,658	-	6,451
Charges for Services	475,543	-	-	-
Intergovernmental	484,329	-	450,381	-
Special Assessments	-	-	-	-
Miscellaneous	188,277	229,141	-	1,470
Total Receipts	<u>2,356,919</u>	<u>445,426</u>	<u>450,381</u>	<u>7,921</u>
<b>Disbursements:</b>				
Operating:				
Public Safety	1,009,669	-	-	-
Public Works	490,622	-	457,738	5,500
Culture and Recreation	585,516	-	-	-
Community and Economic Development	116,062	379,789	-	-
General Government	453,486	-	-	-
Debt Service	-	337,679	-	-
Capital Projects	-	-	-	-
Total Disbursements	<u>2,655,355</u>	<u>717,468</u>	<u>457,738</u>	<u>5,500</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(298,436)</u>	<u>(272,042)</u>	<u>(7,357)</u>	<u>2,421</u>
<b>Other Financing Sources (Uses)</b>				
Debt Proceeds	-	50,000	-	-
Interfund Loans	-	(28,000)	-	5,000
Operating Transfers In	367,899	243,434	-	-
Operating Transfers Out	(14,198)	(133,750)	-	-
Total Other Financing Sources (Uses)	<u>353,701</u>	<u>131,684</u>	<u>-</u>	<u>5,000</u>
Net Change in Cash Balances	<u>55,265</u>	<u>(140,358)</u>	<u>(7,357)</u>	<u>7,421</u>
Cash Balances, Beginning of Year	277,380	108,060	248,227	194,398
Prior Period Adjustment (Note 20)	-	-	-	-
Cash Balances, End of Year	<u>\$ 332,645</u>	<u>\$ (32,298)</u>	<u>\$ 240,870</u>	<u>\$ 201,819</u>
<b>Cash Fund Balances</b>				
Reserved:				
Debt Service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General Fund	332,645	-	-	-
Special Revenues Fund	-	(32,298)	240,870	201,819
Capital Projects Fund	-	-	-	-
Total Cash Basis Fund Balances	<u>\$ 332,645</u>	<u>\$ (32,298)</u>	<u>\$ 240,870</u>	<u>\$ 201,819</u>

See notes to financial statements.

Special Revenue	Capital Projects			Other	
Franchise		Fire		Nonmajor	
Fees		Department	Debt	Governmental	
Gas & Electric	Street Projects	Expansion	Service	Funds	Total
\$ -	\$ -	\$ -	\$ 370,566	\$ 403,568	\$ 1,898,935
-	-	-	-	-	213,627
-	-	-	600	438,714	448,700
-	-	-	-	-	65,310
25,820	-	3,797	6,233	21,325	75,557
-	-	-	-	-	475,543
-	5,000	-	-	11,049	950,759
-	116,035	-	-	81,283	197,318
-	-	155,919	-	98,357	673,164
25,820	121,035	159,716	377,399	1,054,296	4,998,913
-	-	-	-	7,070	1,016,739
-	-	-	-	15,517	969,377
-	-	-	-	51,900	637,416
-	-	-	-	28,233	524,084
-	-	-	-	39,777	493,263
-	-	-	566,666	-	904,345
-	1,532,258	262,888	-	431,987	2,227,133
-	1,532,258	262,888	566,666	574,484	6,772,357
25,820	(1,411,223)	(103,172)	(189,267)	479,812	(1,773,444)
-	-	-	1,560,000	-	1,610,000
-	-	-	-	-	(23,000)
-	1,294,860	808,698	172,755	310,500	3,198,146
-	-	-	(2,070,400)	(830,712)	(3,049,060)
-	1,294,860	808,698	(337,645)	(520,212)	1,736,086
25,820	(116,363)	705,526	(526,912)	(40,400)	(37,358)
561,053	39,548	-	527,451	1,038,945	3,299,317
-	-	-	-	-	(304,255)
\$ 586,873	\$ (76,815)	\$ 705,526	\$ 539	\$ 998,545	\$ 2,957,704
\$ -	\$ -	\$ -	\$ 539	\$ -	\$ 539
-	-	-	-	-	332,645
586,873	-	-	-	1,042,794	2,040,058
-	(76,815)	705,526	-	(44,249)	584,462
\$ 586,873	\$ (76,815)	\$ 705,526	\$ 539	\$ 998,545	\$ 2,957,704

**City of Manchester**

**City of Manchester**  
**Reconciliation of the Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Governmental Funds**

**As of and for the year ended June 30, 2008**

<b>Total Governmental Funds Cash Balance</b>	<b>\$ 2,957,704</b>
<b>Amounts Reported for Governmental Activities in the</b> <b>Statement of Activities and Net Assets are different because:</b>	
None	<u>-</u>
<b>Cash Basis Net Assets of Governmental Activities</b>	<u><b>\$ 2,957,704</b></u>
<b>Net Change in Cash Balances</b>	<b>\$ (37,358)</b>
<b>Amounts Reported for Governmental Activities in the</b> <b>Statements of Activities and Net Assets are different because:</b>	
None	<u>-</u>
<b>Change in Cash Balance of Governmental Activities</b>	<u><b>\$ (37,358)</b></u>

See notes to financial statements.

**City of Manchester**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2008**

	Enterprise Funds		
	Water Utility	Sewer Utility	Total
<b>Operating Receipts:</b>			
Use of Money and Property	\$ 30,358	\$ 11,723	\$ 42,081
Charges for Service	477,597	854,220	1,331,817
Special Assessments	7,096	-	7,096
Miscellaneous	-	45	45
Total Operating Receipts	<u>515,051</u>	<u>865,988</u>	<u>1,381,039</u>
<b>Operating Disbursements:</b>			
Governmental Activities:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	-	686,601	686,601
Business Type Activities	452,593	420,953	873,546
Total Operating Disbursements	<u>452,593</u>	<u>1,107,554</u>	<u>1,560,147</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>62,458</u>	<u>(241,566)</u>	<u>(179,108)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>62,458</u>	<u>(241,566)</u>	<u>(179,108)</u>
<b>Other Financing Sources (Uses):</b>			
Debt Proceeds	-	341,071	341,071
Interfund Loans	-	23,000	23,000
Operating Transfers In	-	351,631	351,631
Operating Transfers Out	(44,378)	(456,339)	(500,717)
Total Other Financing Sources (Uses)	<u>(44,378)</u>	<u>259,363</u>	<u>214,985</u>
Net Change in Cash Balances	18,080	17,797	35,877
Cash Balances Beginning of Year	645,394	370,477	1,015,871
Prior Period Adjustment (Note 20)	-	304,255	304,255
Cash Balances End of Year	<u>\$ 663,474</u>	<u>\$ 692,529</u>	<u>\$ 1,356,003</u>
<b>Cash Basis Funds Balances</b>			
Reserved for Debt Service	\$ -	\$ -	\$ -
Unreserved	663,474	692,529	1,356,003
Total Cash Basis Fund Balance	<u>\$ 663,474</u>	<u>\$ 692,529</u>	<u>\$ 1,356,003</u>

See notes to financial statements.

**City of Manchester**  
**Reconciliation of the Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Proprietary Funds**

**As of and for the year ended June 30, 2008**

<b>Total Enterprise Funds Cash Balance</b>	<b>\$ 1,356,003</b>
<b>Amounts Reported for Business Type Activities in the Statement of Activities and Net Assets are different because:</b>	
None	<u>-</u>
<b>Cash Basis Net Assets of Business Type Activities</b>	<u><b>\$ 1,356,003</b></u>
<b>Net Change in Cash Balances</b>	<b>\$ 35,877</b>
<b>Amounts Reported for Business Type Activities in the Statements of Activities and Net Assets are different because:</b>	
None	<u>-</u>
<b>Change in Cash Balance of Business Type Activities</b>	<u><b>\$ 35,877</b></u>

See notes to financial statements.



City of Manchester

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Manchester, Iowa is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Manchester has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

Delaware County Economic Development Commission  
Delaware County Solid Waste Commission  
Regional Planning Affiliation Policy Board  
Delaware County E911 Board  
Manchester Area Chamber of Commerce  
Greater Delaware County Community Foundation  
Delaware County Softball Commission  
Facilities Management Committee  
Eastern Iowa Regional Housing Authority Commission  
Eastern Iowa Clandestine Lab  
Community Childcare of Manchester Iowa

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets-Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets-Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets-Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Tax Increment Financing/Urban Renewal Fund is used to account for urban renewal projects financed by tax increment financing.

**(1) Summary of Significant Accounting Policies (continued)**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Street Equipment Reserve Fund is used to account for capital asset purchases of the Street Department as well as to account for reserves designated for future purchases.

The Franchise Fees – Gas and Electric is used to account for fees imposed on revenues for gas and electric utilities and cable television and other services to customers situated within the city. See note 15 for contingency disclosures regarding this fund.

**Capital Projects:**

The Street Projects Fund is used to account for resources used in the acquisition or construction of major capital facilities and capital assets as it relates to the street construction projects in the City.

The Fire Department Expansion Fund is used to account for resources used in the construction of the fire department expansion.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Manchester maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

**(1) Summary of Significant Accounting Policies (continued)**

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in the general government and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments consist of certificates of deposits held within the State of Iowa.

**(3) Notes Receivable**

The city has loaned money to the following Manchester area businesses as part of its Downtown Incentive Program:

Note Receivable, ABCM Corporation, due in monthly installments of \$167, beginning April 1, 2006 through March 1, 2011. The note bears no interest and is unsecured.	<u>\$ 5,500</u>
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Note Receivable, Manchester Area Chamber of Commerce, due in annual installments of \$1,630, beginning January 20, 2005 through 2009. The note bears no interest and is secured by a real estate mortgage dated January 20, 2004.	<u>\$ 1,630</u>
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**(3) Notes Receivable (continued)**

Note Receivable, Manchester Area Chamber of Commerce, due in annual installments of \$784.02, beginning May 1, 2008 through 2012. The note bears no interest and is unsecured. \$ 3,136

Note Receivable, Fred and Judy Vorwald, due in annual installments of \$2,000, beginning August 1, 2008 through 2012. The note bears no interest and is unsecured. \$ 10,000

**(4) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds, and other debt are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		State Revolving Fund Planning and Design Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 464,000	\$158,990	\$121,739	\$ 44,292	\$ -	\$ -	\$ 585,739	\$ 203,282
2010	480,000	142,381	122,728	36,455	341,071	-	943,799	178,836
2011	496,000	124,829	123,777	28,559	-	-	619,777	153,388
2012	517,000	106,536	124,885	20,603	-	-	641,885	127,139
2013	528,000	87,328	95,358	12,570	-	-	623,358	99,898
2014	558,000	67,545	43,000	8,036	-	-	601,000	75,581
2015	425,000	46,450	43,000	5,563	-	-	468,000	52,013
2016	121,000	30,670	43,000	3,091	-	-	164,000	33,761
2017	122,000	25,932	21,500	618	-	-	143,500	26,550
2018	127,000	21,115	-	-	-	-	127,000	21,115
2019	43,000	16,055	-	-	-	-	43,000	16,055
2020	43,000	14,399	-	-	-	-	43,000	14,399
2021	44,000	12,744	-	-	-	-	44,000	12,744
2022	45,000	11,050	-	-	-	-	45,000	11,050
2023	47,000	9,317	-	-	-	-	47,000	9,317
2024	48,000	7,508	-	-	-	-	48,000	7,508
2025	48,000	5,660	-	-	-	-	48,000	5,660
2026	49,000	3,811	-	-	-	-	49,000	3,811
2027	50,000	1,925	-	-	-	-	50,000	1,925
Total	\$4,255,000	\$894,245	\$738,986	\$159,787	\$341,071	\$ -	\$5,335,057	\$1,054,032

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. Series 2004 general obligation bonds in the amount of \$710,000 were issued to finance a sewer capital project. According to terms of the debt obligation, a portion of sewer revenues are to be used to pay on the obligation. The amount transferred from the sewer utility fund to the debt service fund in fiscal year 2008 was \$89,005.

**(4) Bonds and Notes Payable (continued)**

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. See also Note 19 for subsequent events. Total principal and interest remaining on the bonds is \$898,773, payable through June 2017. For the current year, interest paid and total TIF receipts were \$61,705 and \$213,627, respectively.

The state revolving fund planning and design loan is an interim loan advanced to the City until the debt proceeds of the Sewer Revenue Bonds, Series 2008 have been received.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$95,163, \$89,318, and \$91,746 respectively, equal to the required contributions for each year.

The City makes available to each full-time or regular part-time employee, the opportunity to make tax exempt contributions under an approved 457 Deferred Compensation Plan. The employee's own tax exempt contribution will be utilized as a retirement fund. However, no monthly contribution to the plan can be less than \$50.00. The employee is responsible for the cost of administering the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Sick leave is payable when used and is accumulated at the rate of 12 days each year up to a maximum accumulation of 150 days. Upon retirement or death, disabled employees who have met other specific criteria may be paid sick leave at one-fourth of the then effective hourly rate for that employee.

**(5) Compensated Absences (continued)**

The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, Special Revenue Funds, and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 82,703
Sick leave	<u>399,959</u>
Total	<u>\$482,662</u>

This liability has been computed based on rates of pay in effect at June 30, 2008

**(7) Lease Agreements**

1. The City of Manchester is a party to several operating leases. The leases are with various local companies and individuals for hangars at the municipal airport. The leases run for one year and are automatically renewable unless 30 days written notice by either party is given. The City charges \$300 per year, per hangar.
2. The City of Manchester has entered into a lease agreement dated May 6, 1991 with Fareway Stores, Inc. of Boone, Iowa for an easement for purposes of constructing loading docks for \$1 and other valuable consideration received.
3. The City of Manchester has entered into a ten-year lease agreement commencing April 16, 2001 to lease a parking lot to the Regional Medical Center of Northeast Iowa and Delaware County for \$1. The Regional Medical Center agrees to pay 100 percent of required maintenance.
4. The City of Manchester is a party to an operating lease with Mediacom Iowa, LLC. that runs from May 15, 2005 through May 15, 2010. The lease covers storage space in a building and antenna and equipment space on the water tower on Williams Street. The \$296 monthly rent may be increased by the lessor in an amount not to exceed the percent of increase in the consumer price index (CPI-U) from the time the last increase was implemented.
5. The City of Manchester has entered into a three-year lease agreement with William Blakesley dated June 1, 2007 to lease a driveway adjacent to his retail establishment. A \$150 lease payment was paid at the signing of the lease. William Blakesley has agreed to pay 100 percent of required maintenance.
6. The City of Manchester has entered into a three-year lease agreement with the Franklin Street Underground, dated January 1, 2004, to construct a handicapped ramp on the property. A \$1 lease payment was paid at the signing of the lease. Franklin Street Underground agrees to pay 100 percent of the required maintenance. This lease was renewed on January 1, 2008 for another three years.

**(7) Lease Agreements (continued)**

7. The City of Manchester has entered into a six-year lease agreement commencing October 1, 2000 to lease a right of way to Regional Medical Center of Northeast Iowa and Delaware County. The right of way consists of underground space for the purpose of running a telecommunications cable. Regional Medical Center will pay \$25 per year. The lease automatically renews on an annual basis unless a 60 day written notice is provided by either party.
8. The City of Manchester has entered into a five-year lease agreement commencing March 4, 2002 to lease the transmitter building located 20 feet north of the Grant Street water tower to the Delaware County E-911 Board. The Delaware County E-911 Board will pay \$25 per year, payable on the first Monday of March each year, beginning March 2002. The lease shall automatically renew for successive one-year terms, unless a party provides written notification of termination of the lease at least 90 days prior to the expiration of the current lease term. The Delaware County E-911 Board agrees to pay 100 percent of the required maintenance.
9. The City of Manchester has entered into a fifteen-year well agreement commencing April 1, 2002 where the City is entitled to the use of water provided by said well owned by M. Ruth Francois. The City is responsible for all electrical utilities serving the pump house and all connection costs, as well as repairs, maintenance and/or replacement of the well facility.
10. The City of Manchester had entered into an agreement for the right to enter the premises being a building commonly known as 1201 East Main Street, Manchester, Iowa owned by Schultz Bros. Co., commencing on March 18, 2002. The City's sole use of the premises was for the training of police K-9 units. Consideration for the agreement was \$10. The agreement was canceled in August 2007 due to the purchase of the building by another entity.
11. The City of Manchester is a party to an operating lease with Silver Eagle Harley-Davidson/Buell Inc., which ran from April 1, 2007 through December 31, 2007. The lease covers the use of a 2006 Harley-Davidson Police motorcycle by the Manchester Police Department for police and related activities. The City is required to pay \$1,500 along with maintenance and insurance. The City has renewed this lease.
12. The City of Manchester has entered into a lease agreement commencing June 5, 2006 with Iowa RSA No. 12 Limited Partnership for attachment locations upon the water tower at the intersection of East Prospect and Williams Street and ground space at the site for cellular common carrier mobile radio base operations. There is an option to lease for a term of 18 months. A \$3,000 payment was paid at the signing of the lease. The tenant has exercised the option. The initial lease term will be five years at a base rent of \$1,000 per month due on the first day of each month beginning July 1, 2006.



**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to:	Transfer from:	Amount
General Fund	Special Revenue:	
	Employee Benefit Fund	\$ 365,899
	COPS Program	2,000
		<u>367,899</u>
Special Revenue:		
Park Improvement Fund	General Fund	5,000
Holiday Decoration Fund	General Fund	500
Tax Increment Fund	Debt Service	243,434
		<u>248,934</u>
Capital Projects:		
Street Projects Fund	Debt Service	831,966
	Enterprise Funds:	
	Water Utility	44,378
	Sewer Utility	15,703
	Special Revenue:	
	Street Improvement Fund	72,813
	Local Option	330,000
		<u>1,294,860</u>
Fire Department Expansion Fund	Debt Service	800,000
	General Fund	8,698
		<u>808,698</u>
Sewer Improvements Fund	Enterprise Funds:	
	Sewer Replacement Fund	42,000
Capital Projects Levied	Debt Service	45,000
Bikeway/Walkway Project	Street Improvement Fund	60,000
Downtown Incentive Fund	Debt Service	150,000
		<u>2,400,558</u>
Enterprise Funds:	Enterprise Funds:	
Sewer Replacement	Sewer Utility	9,000
Sewer Utility	Sewer Debt Service	300,631
		<u>309,631</u>
Debt Service	Special Revenue:	
	Tax Increment Fund	83,750
	Enterprise Fund:	
	Sewer Utility	89,005
		<u>172,755</u>
		<u>\$3,499,777</u>

**(8) Interfund Transfers (continued)**

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$6,059 during the year ended June 30, 2008.

**(10) Interfund Loans**

The City has the following interfund loans at June 30, 2008

Special Revenue Fund, Tax Increment Financing from Enterprise Fund, Airport Improvement Project at 8.00% per annum	\$ 17,944
- Special Revenue Fund, Tax Increment Financing from Enterprise Fund, Hughes Project at 5.00% per annum	12,319
Special Revenue Fund, Tax Increment Financing from Enterprise Fund, Recreation Center Project at 5.00% per annum	<u>36,186</u>
	<u>\$ 66,449</u>

**(11) Economic Development Loans**

The City has granted a corporation a non-interest bearing loan agreement in the amount of \$325,000 to build a speculative building in the Manchester Industrial Park for the purpose of attracting new industry and/or creating jobs in the City of Manchester. Principal is due October 21, 2011 unless the building is sold, leased, or otherwise transferred without prior written consent of the lender. As of June 30, 2008 \$301,492 has been advanced on the loan agreement.

The City has granted an individual an interest bearing loan agreement in the amount of \$28,000 to improve their subdivision. Principal is due in annual installments of \$2,800, beginning July 1, 2007 through July 1, 2016. The annual interest rate is 7% and is secured by a real estate mortgage.

**(12) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(13) Deficit Balance**

The following funds had deficit balances at June 30, 2008.

Tax Increment Financing	\$ 32,298
Airport Fly In Fund	430
Tirrill Park Trust	3,294

**(13) Deficit Balance (continued)**

CDBG Housing	230,004
Street Projects	76,815

The deficit balances were a result of project or event costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of donations, grant money, loan proceeds, or fund transfers.

**(14) Construction in Progress**

The City has entered into various construction contracts totaling approximately \$9,661,922. The unpaid contract balances as of June 30, 2008 totaled approximately \$9,057,583, which will be paid as work on the projects progress.

**(15) Contingencies**

The City participates in state and federal assisted grant programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

The City has been named a defendant in a class action petition filed in Iowa District Court for Delaware County on September 15, 2006. The petition is in regards to franchise fees that have been imposed on revenues for gas and electric utilities and cable television and other services to customers situated within the City. The City has taken action to discontinue the collection of franchise fees while the suit is pending. The amount of the potential liability could range from \$0 to \$500,000.

**(16) Development Agreements**

The City has entered into a development agreement for an urban renewal project. The agreement requires the City to rebate portions of the incremental tax paid by the developer in exchange for certain infrastructure improvements by the developer. Obligations under the agreement are subject to annual appropriation by the City Council. The City made no payments under the agreement during the year ended June 30, 2008.

The City's obligation under this agreement would begin on June 1, 2010 and continue for five years and would not exceed \$70,550 in total.

This agreement is not a general obligation of the City. However, the amounts payable in the succeeding years are subject to the constitutional debt limitation of the City.

**(17) Termination Benefits**

The City offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least 10 consecutive years of full-time employment prior to December 31, 2007, must have reached age 55 by December 31, 2007, and must have resigned effective December 31, 2007. The application for early retirement was subject to approval by the City Council.

**(17) Termination Benefits (continued)**

Early retirement benefits were equal to 25% of each day of earned, unused sick leave days, calculated as of the last day of employment prior to retirement. If the employee was covered by a City health insurance plan on the last day of employment prior to retirement, the City shall, upon employee request, contribute monthly toward the employee's continued participation in a health insurance plan offered by the City, not to exceed \$400 per month. Payments by the City shall cease upon the earliest of the following: (1) the employee fails to pay the premium balance, (2) the employee becomes deceased, or (3) the employee becomes eligible for Medicare.

Early retirement expenditures for the year ended June 30, 2008 for three employees totaled \$12,347. At June 30, 2008 the City had obligations to three employees for the health insurance portion of the early retirement plan with annual expenditures to be \$8,400 per year until the employee becomes ineligible as described above.

**(18) Other Post Employment Benefits**

Under Chapter 509A.13 of the Code of Iowa, employees who retire from City employment before age 65 are eligible to continue in the City's group health insurance plans up to age 65. Coverage must be continuous, that is the employee must elect the same type of coverage at retirement, and the retired employee must pay the full cost of the premium.

Plan membership at June 30, 2008:

Active employees	23
Retired employees	<u>6</u>
Total plan membership	<u>29</u>

**(19) Subsequent Events**

On July 2, 2008, the City issued Sewer Revenue Bonds, Series 2008 in the amount of \$7,720,000. The interest rate is 3.00% and is payable semiannually on June 1 and December 1, commencing December 1, 2008. Principal is due annually commencing June 1, 2010 with final due date of June 1, 2029. The bonds are payable solely and only out of the future net revenues of the municipal sanitary sewer system of the city.

On August 4, 2008, the City paid principal and interest in full on the following debt with proceeds from the General Obligation Corporate Purpose Bonds, Series 2007:

	Balance <u>6/30/08</u>	Interest <u>Paid 8/4/08</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Issued March 2, 2005	\$365,500	\$1,985
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Issued November 8, 2002	91,698	978
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Issued February 1, 2006	281,788	3,999

**(20) Prior Period Adjustment**

The City has reclassified the Sewer Improvement Fund from the governmental funds statements to the proprietary funds statements to better reflect the activity of the sewer utility funds in the proprietary statements. The cash balance at the beginning of the year for the proprietary funds has been increased by \$304,255 and the government funds decreased by \$304,255 due to the adjustment.

### **Required Supplementary Information**

City of Manchester

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Government Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property Tax	\$1,898,935	\$ -	\$ -
Tax Increment Financing Collections	213,627	-	-
Other City Tax	448,700	-	-
Licenses and Permits	65,310	-	-
Use of Money and Property	75,557	42,081	-
Charges for Service	475,543	1,331,817	-
Intergovernmental	950,759	-	-
Special Assessments	197,318	7,096	-
Miscellaneous	673,164	45	-
Total Receipts	<u>4,998,913</u>	<u>1,381,039</u>	<u>-</u>
<b>Disbursements:</b>			
Public Safety	1,016,739	-	-
Public Works	969,377	-	-
Culture and Recreation	637,416	-	-
Community and Economic Development	524,084	-	-
General Government	493,263	-	-
Debt Service	954,345	-	-
Capital Projects	2,177,133	-	-
Business Type Activities	-	1,560,147	-
Total Disbursements	<u>6,772,357</u>	<u>1,560,147</u>	<u>-</u>
Excess of Receipts over Disbursements	(1,773,444)	(179,108)	-
Other Financing Sources, Net	<u>1,736,086</u>	<u>214,985</u>	<u>-</u>
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(37,358)	35,877	-
Balances, Beginning of Year	3,299,317	1,015,871	-
Prior Period Adjustment (Note 20)	(304,255)	304,255	-
Balances, End of Year	<u>\$ 2,957,704</u>	<u>\$ 1,356,003</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 1,898,935	\$ 1,816,677	\$ 1,894,894	\$ 4,041
213,627	229,859	229,859	(16,232)
448,700	434,667	434,667	14,033
65,310	23,730	23,730	41,580
117,638	42,340	121,571	(3,933)
1,807,360	2,112,505	1,836,634	(29,274)
950,759	1,081,978	1,449,659	(498,900)
204,414	173,526	262,990	(58,576)
673,209	636,090	883,095	(209,886)
<u>6,379,952</u>	<u>6,551,372</u>	<u>7,137,099</u>	<u>(757,147)</u>
1,016,739	1,077,725	1,077,725	(60,986)
969,377	880,132	1,015,321	(45,944)
637,416	617,424	697,604	(60,188)
524,084	716,550	1,208,016	(683,932)
493,263	182,553	524,591	(31,328)
954,345	600,964	993,691	(39,346)
2,177,133	4,451,150	5,141,592	(2,964,459)
1,560,147	1,082,955	1,311,481	248,666
<u>8,332,504</u>	<u>9,609,453</u>	<u>11,970,021</u>	<u>(3,637,517)</u>
(1,952,552)	(3,058,081)	(4,832,922)	2,880,370
<u>1,951,071</u>	<u>8,413,750</u>	<u>4,929,363</u>	<u>(2,978,292)</u>
(1,481)	5,355,669	96,441	(97,922)
4,315,188	4,315,732	4,315,732	(544)
-	-	-	-
<u>\$ 4,313,707</u>	<u>\$ 9,671,401</u>	<u>\$ 4,412,173</u>	<u>\$ (98,466)</u>

City of Manchester

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$585,727 including a decrease in other financing sources and increased budgeted disbursements by \$5,844,955 and including an increase in transfers out that is reflected in other financing sources, net. The net change was a decrease of \$5,259,228. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in the general government and business type activities functions.



### **Other Supplementary Information**

**City of Manchester**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2008**

	Special Revenue		
	Employee Benefit Fund	Local Option	Police Special Uses
<b>Receipts:</b>			
Property Tax	\$ 403,568	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	688	438,026	-
Licenses and Permits	-	-	-
Use of Money and Property	4,549	4,638	167
Charges for Services	-	-	-
Intergovernmental	-	-	4,957
Special Assessments	-	-	-
Miscellaneous	30,181	-	9,667
<b>Total Receipts</b>	<b>438,986</b>	<b>442,664</b>	<b>14,791</b>
<b>Disbursements:</b>			
Operating:			
Public Safety	-	-	6,955
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	39,777	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
<b>Total Disbursements</b>	<b>39,777</b>	<b>-</b>	<b>6,955</b>
Excess (Deficiency) of Receipts over (under) Disbursements	<b>399,209</b>	<b>442,664</b>	<b>7,836</b>
<b>Other Financing Sources (Uses)</b>			
Debt Proceeds	-	-	-
Interfund Loans	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	(365,899)	(330,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(365,899)</b>	<b>(330,000)</b>	<b>-</b>
Net Change in Cash Balances	33,310	112,664	7,836
Cash Balances, Beginning of Year	308,314	195,914	6,760
Cash Balances, End of Year	<b>\$ 341,624</b>	<b>\$ 308,578</b>	<b>\$ 14,596</b>
<b>Cash Fund Balances</b>			
Reserved:			
Debt Service	\$ -	\$ -	\$ -
Unreserved:			
General Fund	-	-	-
Special Revenues Fund	341,624	308,578	14,596
Capital Projects Fund	-	-	-
<b>Total Cash Basis Fund Balances</b>	<b>\$ 341,624</b>	<b>\$ 308,578</b>	<b>\$ 14,596</b>

See accompanying independent auditor's report.

Schedule 1

Airport Fly-In	Tirill Trust	COPS Program	Police Canine Program	Park Gift & Trust	Park Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	101	6	97	489	494
-	-	-	-	-	-
-	-	-	-	-	1,000
-	-	-	-	-	-
8,891	11,716	2,000	2,385	2,351	11,491
<u>8,891</u>	<u>11,817</u>	<u>2,006</u>	<u>2,482</u>	<u>2,840</u>	<u>12,985</u>
-	-	-	115	-	-
15,517	-	-	-	-	-
-	20,694	-	-	6,002	11,432
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,517</u>	<u>20,694</u>	<u>-</u>	<u>115</u>	<u>6,002</u>	<u>11,432</u>
<u>(6,626)</u>	<u>(8,877)</u>	<u>2,006</u>	<u>2,367</u>	<u>(3,162)</u>	<u>1,553</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,000
-	-	(2,000)	-	-	-
-	-	<u>(2,000)</u>	-	-	<u>5,000</u>
(6,626)	(8,877)	6	2,367	(3,162)	6,553
6,196	5,583	-	5,241	21,407	22,093
<u>\$ (430)</u>	<u>\$ (3,294)</u>	<u>\$ 6</u>	<u>\$ 7,608</u>	<u>\$ 18,245</u>	<u>\$ 28,646</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
(430)	(3,294)	6	7,608	18,245	28,646
-	-	-	-	-	-
<u>\$ (430)</u>	<u>\$ (3,294)</u>	<u>\$ 6</u>	<u>\$ 7,608</u>	<u>\$ 18,245</u>	<u>\$ 28,646</u>

**City of Manchester**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds (Continued)**  
**As of and for the year ended June 30, 2008**

	Special Revenue		
	Sports Complex	Fire Truck Reserve	Fire Capital Growth Improvement
<b>Receipts:</b>			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	-	-	-
Licenses and Permits	-	-	-
Use of Money and Property	53	5,244	21
Charges for Services	-	-	-
Intergovernmental	-	-	-
Special Assessments	-	-	-
Miscellaneous	3,895	300	-
Total Receipts	<u>3,948</u>	<u>5,544</u>	<u>21</u>
<b>Disbursements:</b>			
Operating:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	3,807	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	<u>3,807</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>141</u>	<u>5,544</u>	<u>21</u>
<b>Other Financing Sources (Uses)</b>			
Debt Proceeds	-	-	-
Interfund Loans	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Balances	<u>141</u>	<u>5,544</u>	<u>21</u>
Cash Balances, Beginning of Year	<u>6,339</u>	<u>174,040</u>	<u>2,401</u>
Cash Balances, End of Year	<u>\$ 6,480</u>	<u>\$ 179,584</u>	<u>\$ 2,422</u>
<b>Cash Fund Balances</b>			
Reserved:			
Debt Service	\$ -	\$ -	\$ -
Unreserved:			
General Fund	-	-	-
Special Revenues Fund	6,480	179,584	2,422
Capital Projects Fund	-	-	-
Total Cash Basis Fund Balances	<u>\$ 6,480</u>	<u>\$ 179,584</u>	<u>\$ 2,422</u>

See accompanying independent auditor's report.

## Schedule 1

Rescue Squad Replacement	Housing Acquisition/ Demolition Project	Lorna Stewart Trust	Holiday Decoration Replacement	Library Gift and Trust	Economic Development Revolving Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
638	252	63	13	950	1,251
-	-	-	-	5,092	-
-	-	-	-	7,719	-
-	1,347	-	-	-	-
638	1,599	63	13	13,761	1,251
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	182	9,783	-
-	28,233	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	28,233	-	182	9,783	-
638	(26,634)	63	(169)	3,978	1,251
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	500	-	-
-	-	-	-	-	-
-	-	-	500	-	-
638	(26,634)	63	331	3,978	1,251
25,497	41,436	4,561	1,121	37,435	49,052
\$ 26,135	\$ 14,802	\$ 4,624	\$ 1,452	\$ 41,413	\$ 50,303
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
26,135	14,802	4,624	1,452	41,413	50,303
-	-	-	-	-	-
\$ 26,135	\$ 14,802	\$ 4,624	\$ 1,452	\$ 41,413	\$ 50,303

**City of Manchester**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds (Continued)**  
**As of and for the year ended June 30, 2008**

	Capital Projects		
	Downtown Incentive Program	CDBG Housing	Bikeway Walkway Project
<b>Receipts:</b>			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	-	-	-
Licenses and Permits	-	-	-
Use of Money and Property	960	-	-
Charges for Services	-	-	-
Intergovernmental	-	-	-
Special Assessments	-	-	-
Miscellaneous	6,414	-	-
Total Receipts	<u>7,374</u>	<u>-</u>	<u>-</u>
<b>Disbursements:</b>			
Operating:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	50,000	-	-
Capital Projects	81,615	224,991	19,176
Total Disbursements	<u>131,615</u>	<u>224,991</u>	<u>19,176</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(124,241)</u>	<u>(224,991)</u>	<u>(19,176)</u>
<b>Other Financing Sources (Uses)</b>			
Debt Proceeds	50,000	-	-
Interfund Loans	-	-	-
Operating Transfers In	150,000	-	60,000
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>-</u>	<u>60,000</u>
Net Change in Cash Balances	<u>75,759</u>	<u>(224,991)</u>	<u>40,824</u>
Cash Balances, Beginning of Year	<u>(9,301)</u>	<u>(5,013)</u>	<u>3,487</u>
Cash Balances, End of Year	<u>\$ 66,458</u>	<u>\$ (230,004)</u>	<u>\$ 44,311</u>
<b>Cash Fund Balances</b>			
Reserved:			
Debt Service	\$ -	\$ -	\$ -
Unreserved:			
General Fund	-	-	-
Special Revenues Fund	-	-	-
Capital Projects Fund	66,458	(230,004)	44,311
Total Cash Basis Fund Balances	<u>\$ 66,458</u>	<u>\$ (230,004)</u>	<u>\$ 44,311</u>

See accompanying independent auditor's report.

Schedule 1

Street Improvement Fund	FEMA Property Acquisition	Capital Projects - Levied	Total
\$ -	\$ -	\$ -	\$ 403,568
-	-	-	-
-	-	-	438,714
-	-	-	-
798	-	541	21,325
-	-	-	-
-	-	-	11,049
81,283	-	-	81,283
-	-	-	98,357
<u>82,081</u>	<u>-</u>	<u>541</u>	<u>1,054,296</u>
-	-	-	7,070
-	-	-	15,517
-	-	-	51,900
-	-	-	28,233
-	-	-	39,777
-	-	-	50,000
6,133	12	50,060	381,987
<u>6,133</u>	<u>12</u>	<u>50,060</u>	<u>574,484</u>
-	-	-	-
<u>75,948</u>	<u>(12)</u>	<u>(49,519)</u>	<u>479,812</u>
-	-	-	50,000
-	-	-	-
-	-	45,000	260,500
(132,813)	-	-	(830,712)
<u>(132,813)</u>	<u>-</u>	<u>45,000</u>	<u>(520,212)</u>
(56,865)	(12)	(4,519)	(40,400)
56,865	12	79,505	1,038,945
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,986</u>	<u>\$ 998,545</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	1,042,794
-	-	74,986	(44,249)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,986</u>	<u>\$ 998,545</u>

**City of Manchester  
Schedule of Indebtedness  
Year Ended June 30, 2008**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Essential Corporate Purpose	July 1, 2004	2.00 - 4.10%	\$ 2,375,000
Essential Corporate Purpose	November 1, 2005	3.25 - 3.65%	2,450,000
Essential Corporate Purpose	September 19, 2007	4.10%	45,000
Essential Corporate Purpose	October 1, 2007	3.70% - 4.05%	715,000
Fire Station	February 15, 2008	3.85%	800,000
Total			<u>\$ 6,385,000</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	March 2, 2005	5.75%	\$ 430,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	November 8, 2002	6.00%	155,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	February 1, 2006	7.00%	500,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	August 23, 2007	3.90%	50,000
Total			<u>\$ 1,135,000</u>
State Revolving Fund Planning and Design Loan	August 23, 2007	0%	<u>\$ 341,071</u>

See accompanying independent auditor's report.



**Schedule 2**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 905,000	\$ -	\$ 120,000	\$ 785,000	\$ 33,785
2,200,000	-	245,000	1,955,000	79,110
-	45,000	45,000	-	369
-	715,000	-	715,000	18,393
-	800,000	-	800,000	9,173
<u>\$ 3,105,000</u>	<u>\$ 1,560,000</u>	<u>\$ 410,000</u>	<u>\$ 4,255,000</u>	<u>\$ 140,830</u>
\$ 408,500	\$ -	\$ 43,000	\$ 365,500	\$ 22,871
106,989	-	15,291	91,698	6,210
500,000	-	218,212	281,788	32,095
-	50,000	50,000	-	529
<u>\$ 1,015,489</u>	<u>\$ 50,000</u>	<u>\$ 326,503</u>	<u>\$ 738,986</u>	<u>\$ 61,705</u>
<u>\$ -</u>	<u>\$ 341,071</u>	<u>\$ -</u>	<u>\$ 341,071</u>	<u>\$ -</u>

**City of Manchester**  
**Bond and Note Maturities**  
**June 30, 2008**

General Obligation Bonds

Year Ending June 30,	<u>Essential Corporate Purpose</u> <u>Issued July 1, 2004</u>		<u>Issued November 1, 2005</u>	
	Interest Rate %	Amount	Interest Rate %	Amount
2009	3.40	\$ 120,000	3.60	\$ 250,000
2010	3.70	125,000	3.60	260,000
2011	3.80	125,000	3.60	270,000
2012	3.90	135,000	3.60	280,000
2013	4.00	135,000	3.60	285,000
2014	4.10	145,000	3.60	300,000
2015	-	-	3.65	310,000
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
Total		<u>\$ 785,000</u>		<u>\$ 1,955,000</u>

See accompanying independent auditor's report.

**Schedule 3**

General Obligation Bonds

Essential Corporate Purpose

Issued October 1, 2007

Interest		
<u>Rate %</u>		<u>Amount</u>
3.70	\$	60,000
3.70		60,000
3.75		65,000
3.75		65,000
3.80		70,000
3.85		75,000
3.90		75,000
3.95		80,000
4.00		80,000
4.05		85,000
-		-
-		-
-		-
-		-
-		-
-		-
-		-
-		-
-		-
		<u>\$ 715,000</u>

Fire Station

Issued February 15, 2008

Interest		
<u>Rate %</u>		<u>Amount</u>
3.85	\$	34,000
3.85		35,000
3.85		36,000
3.85		37,000
3.85		38,000
3.85		38,000
3.85		40,000
3.85		41,000
3.85		42,000
3.85		42,000
3.85		43,000
3.85		43,000
3.85		44,000
3.85		45,000
3.85		47,000
3.85		48,000
3.85		48,000
3.85		49,000
3.85		50,000
		<u>\$ 800,000</u>

**City of Manchester**  
**Bond and Note Maturities (continued)**  
**June 30, 2008**

Schedule 3

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds

Year Ending June 30,	<u>Issued November 8, 2002</u>		<u>Issued March 2, 2005</u>		<u>Issued February 1, 2006</u>	
	Interest Rate %	Amount	Interest Rate %	Amount	Interest Rate %	Amount
2009	6.00	\$ 16,239	5.75	\$ 43,000	7.00	\$ 62,500
2010	6.00	17,227	5.75	43,000	7.00	62,500
2011	6.00	18,277	5.75	43,000	7.00	62,500
2012	6.00	19,385	5.75	43,000	7.00	62,500
2013	6.00	20,570	5.75	43,000	7.00	31,788
2014	6.00	-	5.75	43,000	7.00	-
2015	6.00	-	5.75	43,000	7.00	-
2016	6.00	-	5.75	43,000	7.00	-
2017	6.00	-	5.75	21,500	7.00	-
Total		<u>\$ 91,698</u>		<u>\$ 365,500</u>		<u>\$ 281,788</u>

State Revolving Fund Planning and Design Loan

Year Ending June 30,	<u>Issued August 23, 2007</u>	
	Interest Rate %	Amount
2009	0.00	\$ -
2010	0.00	341,071
Total		<u>\$ 341,071</u>

See accompanying independent auditor's report.

**City of Manchester**  
**Schedule of Receipts By Source and Disbursements by Function -**  
**All Governmental Funds**  
**For the Last Four Years**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Receipts:</b>				
Property Tax	\$ 1,898,935	\$ 1,949,803	\$ 1,826,532	\$ 1,747,287
Tax Increment Financing Collections	213,627	329,300	339,272	339,328
Other City Tax	448,700	637,168	735,313	389,850
Licenses and Permits	65,310	25,191	31,960	54,526
Use of Money and Property	75,557	107,776	55,509	45,182
Charges for Services	475,543	451,999	436,288	1,349,935
Intergovernmental	950,759	791,705	1,488,351	379,864
Special Assessments	197,318	242,507	181,212	116,617
Miscellaneous	673,164	603,488	200,068	492,758
<b>Total</b>	<u><u>\$ 4,998,913</u></u>	<u><u>\$ 5,138,937</u></u>	<u><u>\$ 5,294,505</u></u>	<u><u>\$ 4,915,347</u></u>
<b>Disbursements:</b>				
Operating:				
Public Safety	\$ 1,016,739	\$ 946,697	\$ 998,579	\$ 928,904
Public Works	969,377	854,172	952,270	900,842
Culture and Recreation	637,416	563,005	630,143	551,069
Community and Economic Development	524,084	122,017	738,954	526,735
General Government	493,263	228,529	308,085	162,541
Debt Service	954,345	833,731	833,084	1,760,950
Capital Projects	2,177,133	1,597,596	2,998,884	2,626,556
<b>Total</b>	<u><u>\$ 6,772,357</u></u>	<u><u>\$ 5,145,747</u></u>	<u><u>\$ 7,459,999</u></u>	<u><u>\$ 7,457,597</u></u>

See accompanying independent auditor's report.

**City of Manchester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants:			
(CDBG) Program Contract	14.228	07-CF-010	\$ 300,000
(CDBG) Housing Fund Contract	14.228	07-HSG-084	24,722
(CDBG) Program Contract	14.228	08-WS-041	686,601
Home Investment Partnerships Program:			
(HOME) Program Master Contract	14.239	07-4M-107	<u>200,237</u>
Total			<u>\$ 1,211,560</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Manchester and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council  
City of Manchester, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City of Manchester, Iowa's basic financial statements listed in the table of contents, and have issued our report thereon dated December 29, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Manchester, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Manchester, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Manchester, Iowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Manchester, Iowa's financial statements that is more than inconsequential will not be prevented or detected by the City of Manchester, Iowa's internal control. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Manchester, Iowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-B-08 and II-C-08 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manchester, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in II-D-08 and II-E-08 of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Manchester's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the City's responses, we did not audit the City of Manchester's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gosling & Company PC*

Certified Public Accountants

December 29, 2008



Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council  
City of Manchester, Iowa

Compliance

We have audited the compliance of the City of Manchester, Iowa, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Manchester, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Manchester, Iowa's management. Our responsibility is to express an opinion on City of Manchester, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Manchester, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Manchester, Iowa's compliance with those requirements.

In our opinion, the City of Manchester, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in Part III of the accompanying schedule of findings and responses.

Internal Control Over Compliance

The management of the City of Manchester, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Manchester, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We consider the deficiency described in III-B-08 of the accompanying schedule of findings and responses to be a material weakness in internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

The City of Manchester, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. While we have expressed our conclusions on the City's responses, we did not audit the City of Manchester, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gosling & Company PC*

Certified Public Accountants

December 29, 2008

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Part I: Summary of the Independent Auditor's Results:  
Financial Statements**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did disclose instances of non-compliance which are material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.228 – Community Development Block Grants/State's Program and CFDA Number 14.239 – Home Investment Partnerships Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Manchester did not qualify as a low-risk auditee.

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**Significant Deficiency:**

II-A-08 Financial Statements and Disclosures

Criteria – The City is responsible for the preparation of its financial statements and its disclosures.

Condition – The City's financial statements and disclosures are drafted by the auditor with approval by the City.

Effect – This is a common control deficiency of most small entities and is often not corrected due to cost benefit considerations.

Cause – The City does not possess an individual with the appropriate expertise to prepare the financial statements and to draft and determine the sufficiency of the necessary disclosures.

Recommendation – The auditor could assist the City in gaining the necessary knowledge and skills if it determines that this is a control deficiency that the City would like to address.

Management response and corrective action plan – The City will continue to educate its staff on its financial statements and request auditor assistance in the future if necessary.

**Significant Deficiencies Rising to the Level of Material Weaknesses:**

II-B-08 Segregation of Duties

Criteria – The City has a responsibility to establish and maintain effective internal controls over financial transactions and reporting, which includes adequate segregation of duties.

Condition – A limited number of City personnel perform many of the accounting and financial functions.

Effect – Incompatible duties were not properly segregated.

Cause – Segregation of duties is difficult with a limited number of office employees.

Recommendation – The City should review its control procedures to obtain the maximum internal control possible under the circumstances. Management's close supervision and review of accounting information is the best means of preventing or detecting errors or irregularities.

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Significant Deficiencies Rising to the Level of Material Weaknesses (continued):**

II-B-08 Segregation of Duties (continued)

Management response and corrective action plan – We have reviewed procedures and plan to continue to look for improvements to internal control.

II-C-08 Separately Maintained Records

Criteria – Chapter 384.20 of the Code of Iowa states in part “a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose, by any City officer, employee, or other person, and which show the receipt, use, and disposition of all City property.”

Condition - The Manchester Volunteer Fire Department maintained separate accounting records pertaining to their operation until January 25, 2008. The financial transactions and resulting balances were not included in the City’s accounting records.

Effect – The City of Manchester does not show all public funds collected, received, or expended for city purposes.

Cause – The Manchester Volunteer Fire Department did not wish to give control of their funds over to the City of Manchester.

Recommendation – The Manchester Volunteer Fire Department should be established as a separate entity.

Management response and corrective action plan – The Manchester Fire Fighters Association filed an application for 501( c )(3) status with the IRS and transferred its cash balance on January 25, 2008 to the City of Manchester.

**INSTANCES OF NON-COMPLIANCE:**

II-D-08 Certified Budget:

Criteria – Chapter 384.20 of the Code of Iowa states in part “Public Monies” may not be expended or encumbered except under an annual or continuing appropriation.

Condition – The general fund and debt service funds’ expenses exceeded budgeted amounts before budget amendments were adopted.

Effect – The general fund expenses exceeded the budget by \$272,907 before an amendment was adopted. The debt service expenses exceeded the budget by \$99,726 before an amendment was adopted.

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Significant Deficiencies Rising to the Level of Material Weaknesses (continued):**

**INSTANCES OF NON-COMPLIANCE (continued):**

II-D-08    Certified Budget (continued):

Cause – A CDBG grant was received in the general fund and then passed out to another entity, however the City did not budget for this disbursement. A business paid its TIF debt early in which the City used the proceeds to pay the note to the financial institution, however did not budget for that disbursement.

Recommendation – Budget amendments should be adopted before expenditures exceed appropriation in order to remain in compliance with Iowa Code.

Management response and corrective action plan – The City will monitor more carefully its expenditures to comply with the budgeting requirements of the Iowa Code.

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Part III: Findings and Responses for Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

CFDA Number 14.228: Community Development Block Grants/State's Program  
Pass-through Agency Number: 08-WS-041  
Federal Award Year: 2008  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development

III-A-08 Fund Balance:

Criteria – The City has a responsibility to maintain funds in a sound financial position so that funds expended under continuing appropriation shall not exceed the resources available for paying for the public improvement, per Chapter 384.20 of the Code of Iowa.

Condition – The CDBG Fund had a deficit balance of \$230,004 at June 30, 2008.

Effect – This fund had a deficit balance at June 30, 2008.

Cause – There was a timing difference in the grant revenue received and disbursement.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Management response and corrective action plan – The deficit will be eliminated upon receipt of grant money.

**Significant Deficiencies Rising to the Level of Material Weaknesses:**

CFDA Number 14.228: Community Development Block Grants/State's Program  
Pass-through Agency Number: 07-CF-010  
Federal Award Year: 2008  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development

CFDA Number 14.228: Community Development Block Grants/State's Program  
Pass-through Agency Number: 07-HSG-084  
Federal Award Year: 2008  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development

CFDA Number 14.228: Community Development Block Grants/State's Program  
Pass-through Agency Number: 08-WS-041  
Federal Award Year: 2008  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development



City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Part III: Findings and Responses for Federal Awards (continued):**

**Significant Deficiencies Rising to the Level of Material Weaknesses (continued):**

CFDA Number 14.239: Home Investment Partnership (HOME) Program Master Contract  
Pass-through Agency Number: 07-4M-107  
Federal Award Year: 2008  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development

III-B-08 Segregation of Duties

Criteria – The City has a responsibility to establish and maintain effective internal controls over financial transactions and reporting of federal awards programs, which includes adequate segregation of duties.

Condition – A limited number of City personnel perform many of the accounting and financial functions including those related to federal awards programs.

Effect – Incompatible duties were not properly segregated.

Cause – Segregation of duties is difficult with a limited number of office employees.

Recommendation – The City should review its control procedures to obtain the maximum internal control possible under the circumstances. Management's close supervision and review of accounting information is the best means of preventing or detecting errors or irregularities.

Management response and corrective action plan – We have reviewed procedures and plan to continue to look for improvements to internal control.

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-08 Questionable Disbursements – No disbursements of City money that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-B-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-C-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Margie Recker, police dispatch employee, owner of Recker Signs	Sign lettering services	\$1,823
Joann Kramer, spouse of Mayor Milt Kramer	Digital Photography Class	31
Mike Corkery, Fireman, Owner of NE Iowa Telephone Service	Telephone services and supplies	3,955
Kevin Wieser, Fireman	Grant writing	250

The business transactions do not appear to represent conflicts of interest since they were entered into through competitive bidding and council approval.

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Part IV: Other Findings Related to Required Statutory Reporting: (continued)**

- IV-D-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-E-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-F-08 Deposits and Investments – No transactions were found that violated the city's investment policies or provisions of Chapter 12B.10 of the Code of Iowa.
- IV-G-08 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

IV-H-08 Fund Balance

Criteria – Per Chapter 423A.7(3) of the Code of Iowa, the hotel motel tax collected is a revenue of the general fund.

Condition – The hotel motel tax collected is being maintained in a special revenue fund.

Effect – Holding the funds in a special revenue account is not in accordance with the Iowa Code.

Cause – The City was unaware of the provision in the Iowa Code.

Recommendation – The City should reclassify the balance of \$9,386 to the general fund and record receipts from the hotel motel tax in the general fund in the future.

Management response and corrective action plan – The funds will be reclassified to the general fund and future receipts will be recorded in the general fund.

IV-I-08 Fund Balance

Criteria – The City has a responsibility to maintain funds in a sound financial position so that funds expended under continuing appropriation shall not exceed the resources available for paying for the public improvement, per Chapter 384.20 of the Code of Iowa.

Condition – The following funds had deficit balances at June 30, 2008: Tax Increment Financing Fund, \$32,298; Airport Fly-In fund, \$430; Tirrill Park Trust, \$3,294; Street Projects Fund, \$76,814.

Effect – These fund balances had deficit balances at June 30, 2008.

City of Manchester  
Schedule of Findings and Responses  
Year ended June 30, 2008

**Part IV: Other Findings Related to Required Statutory Reporting: (continued)**

IV-I-08 Fund Balance (continued):

Cause – There were timing differences in the revenues received to cover expenditures.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Management response and corrective action plan – The deficits will be eliminated upon receipt of grant money, loan proceeds, or fund transfers.

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City of Manchester

Staff

This audit was performed by:

Kimberly A. Bruess, CPA, Senior Auditor  
Nadine A. Myers, Assistant Auditor

Kathy S. Mersch, CPA  
Auditor in Charge